

## 1998 SMALL BUSINESS PROFILE

### SMALL BUSINESS: HEART OF THE IOWA ECONOMY

The importance of small business to the state of Iowa is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

**Number of Businesses** - In 1997, Iowa had 67,453 businesses with employees; 97.8 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 173,000 self-employed persons in 1997.

**Small Business Income** - The income of sole proprietors and partners increased 2.3 percent to \$4.4 billion in 1997, while wage-and-salary income rose 5.1 percent. The state also exported \$3.1 billion of goods in 1997. (In 1992, 71.4 percent of the exporters in the state were small businesses.)

**Women-Owned Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 92,500 women-owned businesses in Iowa, including part-time firms, employing 177,000 people and generating \$20.9 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 58.6 percent.

**Minority Businesses** - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 57.3 percent from 1987 to 1992, totaling 1,106 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 80.8 percent during the same time period with 859 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 617 in 1987, to 1,024 in 1992, representing a 66.0 percent increase.

**Business Turnover** - Between 1996 and 1997, the number of new firms decreased 0.7 percent, while new business incorporations increased 2.3 percent in 1997. Financial difficulties leading to business bankruptcies decreased by 12.0 percent and business failures increased by 10.5 percent during 1997.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Iowa decreased from 528 in 1994 to 462 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
HOUGHTON ST BK	Red Oak
FARMERS ST BK	Jesup
PEOPLES B&T	Rock Valley
WAUKON ST BK	Waukon
FIRST NB IN FAIRFIELD	Fairfield
DE WITT B&TC	De Witt
FIRST IA ST BK	Albia
HARTFORD-CARLISLE SVG BK	Carlisle
PILOT GROVE SVG BK	Pilot Grove
HARDIN CTY SVG BK	Eldora
FIRST ST BK	Webster City
LINCOLN SVG BK	Reinbeck
IOWA ST BK	Algona
LIBERTY B&T	Mason City
MIDSTATES BK NA	Harlan
HERITAGE BK NA	Holstein
HILLS B&TC	Hills
MERCANTILE BK WESTERN IA	Des Moines

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

**Job Growth** - From 1992 to 1996, small businesses (fewer than 500 employees) created 76.8 percent of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	(16,142)	13,696	22,743	31,576	15,694	67,567
Manufacturing	464	2,237	3,487	8,984	(4,796)	10,375
Retail Trade	(24,126)	3,913	2,746	4,312	(5,502)	(18,656)
Services	7,528	5,118	7,703	12,376	10,438	43,162
Other	(10)	2,429	8,807	5,903	15,554	32,685

**Industries** - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in Iowa, followed by Health Services. The fastest growing industry for small business is Primary Metal Industries (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	1,138,395	100.0	55.8
Health Services	8000	133,028	11.7	48.4
Eating & Drinking Places	5800	82,905	7.3	81.2
Business Services	7300	56,610	5.0	46.9
Food & Kindred Products	2000	49,541	4.4	19.8
Food Stores	5400	44,912	3.9	30.7

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	634,661	100.0	55.8
Eating & Drinking Places	5800	67,360	7.3	81.2
Health Services	8000	64,444	11.7	48.4
Wholesale Trade - Durable Goods	5000	31,402	3.3	84.4
Special Trade Contractors	1700	30,738	2.8	97.7
Social Services	8300	29,761	2.9	90.9

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	634,661	19,749	3.1
Primary Metal Industries	3300	2,847	690	24.2
Rubber & Miscellaneous Plastics Products	3000	5,184	1,192	23.0
Holding & Other Investment Offices	6700	1,366	275	20.1
Fabricated Metal Products Except Machinery	3400	7,694	1,080	14.0
Nondepository Credit Institutions	6100	718	71	9.9

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal

Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.